

Message Text

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ORIGIN EB-07

INFO OCT-01 EUR-12 ISO-00 AGR-05 SP-02 AID-05 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 TAR-01 L-02 H-02 IO-10 INRE-00 NSCE-00 SSO-00

/094 R

DRAFTED BY EB:ORF:OFP:FPD:RHKNICKMEYER:ML

APPROVED BY E - MR. ROBINSON

EB/ORF - MR. KATZ

EUR/SE - MR. HIRSHORN

USDA - MR. BELL

EB/ORF/FPD MR. BOERNER

S/S:JPMOFFAT

EUR - MR. LAINGEN

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O R 022339Z MAY 75

FM SECSTATE WASHDC

TO AMEMBASSY ANKARA IMMEDIATE

INFO AMCONSUL ISTANBUL

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E.O. 11652: N/A

TAGS: ETRD, EAGR, TU

SUBJECT:CONTINENTIAL GRAIN CONTRACT WITH TURKISH AGENCY

REF: (A) ANKARA 3442 (B) ANKARA 3445

1. MICHEL FRIBOURG, PRESIDENT OF CONTINENTAL GRAIN CO.
AND OTHER COMPANY OFFICIALS CALLED ON UNDER SECRETARY
ROBINSON MAY 1 TO REQUEST FURTHER USG REPRESENTATIONS
THROUGH EMBASSY ON TMO GRAIN CONTRACT. FRIBOURG DESCRIBED
PRESENT SITUATION VERY MUCH AS SET FORTH IN EMBASSY'S
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CABLES,NOTING THAT SO FAR EFFORTS BY EMBASSY OFFICERS AND
CONTINENTAL REPRESENTATIVES IN ANKARA HAD NOT SUCCEEDED IN
SHIFTING GOT POSITION. HE THEREFORE REQUESTED THAT
AMBASSADOR DISCUSS THIS PROBLEM WITH THE MINISTER OF

FOREIGN AFFAIRS AS SOON AS POSSIBLE.

2. FRIBOURG SAID IN REQUESTING THIS ACTION THAT HE BELIEVES FOREIGN AFFAIRS IS PROBABLY MOST INFLUENTIAL MINISTRY IN PRESENT GOVERNMENT AND IS ONLY MINISTRY WITH INTEREST IN THIS ISSUE WHICH HAS NOT ALREADY TAKEN STAND (PARA. 3 OF REF A APPEARS TO RAISE QUESTION ABOUT THIS LAST POINT). IN ADDITION TO ADVERSE EFFECT OF GOT ACTION ON CONTINENTAL AND ON US AGRICULTURAL EXPORTS, FRIBOURG POINTED OUT IT LIKELY TO HAVE LONG LASTING EFFECT ON CREDIT STATUS OF GOT AND WILL CAUSE FUTURE

SELLERS OF GOODS TO TURKEY TO REQUIRE APPROVED LETTER OF CREDIT BE ISSUED ON DATE OF CONTRACT, THUS ADDING TO COST OF PURCHASES. IN THIS REGARD, HE SAID CONTINENTAL HAD NOW INVOKED ARBITRATION CLAUSE IN CONTRACT, WHICH PROVIDED FOR ARBITRATION IN LONDON. HE ALSO ALLUDED TO POSSIBILITY OF OTHER COUNTRIES FOLLOWING EXAMPLE OF GOT IF US DOES NOT TAKE STRONG STAND IN THIS CASE.

3. FRIBOURG ASKED IF IT WOULD BE BENEFICIAL TO HAVE HIGH LEVEL CONTINENTAL OFFICIALS FROM NEW YORK GO TO ANKARA TO MEET WITH AMBASSADOR AND POSSIBLY WITH GOT OFFICIALS. HE ALSO NOTED HE WOULD MEET WITH SWISS AMBASSADOR IN WASHINGTON SATURDAY AND WAS CERTAIN SWISS GOVERNMENT WOULD MAKE FORMAL PROTEST TO GOT. REF B RECEIVED SUBSEQUENT TO MEETING WITH FRIBOURG.

4. IN REPLY, ROBINSON NOTED THAT EMBASSY HAS BEEN WORKING CLOSELY WITH CONTINENTAL REPS, HAD BRIEFED DAVID ROCKEFELLER ON PROBLEM, AND HAS KEPT DEPARTMENT FULLY INFORMED OF DEVELOPMENTS. HE ASSURED FRIBOURG DEPARTMENT WOULD DO EVERYTHING POSSIBLE UNDER CIRCUMSTANCES TO IMPRESS UPON GOT SERIOUSNESS OF THIS ACTION, BUT ALSO POINTED OUT CURRENT DELICATE NATURE OF U.S./TURKEY RELATIONS. FRIBOURG WAS URGED TO CONTINUE EFFORTS TO ENLIST AID OF SWISS GOVERNMENT AND WE ENDORSED HIS LIMITED OFFICIAL USE
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SUGGESTION TO SEND REPRESENTATIVE OF NEW YORK OFFICE TO ANKARA.

5. DEPARTMENT PARTICULARLY CONCERNED ABOUT POSSIBLE BROADER REPERCUSSIONS OF THIS GOT ACTION, WHICH COULD ENCOURAGE SIMILAR ATTEMPTS BY OTHER COUNTRIES WHICH HAD CONTRACTED FOR AGRICULTURAL AND OTHER COMMODITIES WHEN

PRICES WERE AT HIGHER LEVELS THAN NOW. WIDESPREAD DEFECTS ON CONTRACTS COULD FURTHER UNDERMINE DECLINING COMMODITY PRICES, AND LEAD TO DEMANDS FOR RETALIATION.

6. AS POINTED OUT IN REF A, FORMAL WRITTEN DEMARCHE WOULD REQUIRE DETAILED EXAMINATION OF VARIOUS LEGAL ISSUES INVOLVED, WHICH, AT MINIMUM WOULD DELAY U.S. RESPONSE. IT WOULD APPEAR AT THIS POINT THAT A HIGH LEVEL ORAL EXPRESSION OF OUR CONCERN WOULD BE MORE EFFECTIVE AND TIMELY. THEREFORE, UNLESS SERIOUS OBJECTIONS PERCEIVED, THE AMBASSADOR IS REQUESTED TO SEEK AN APPOINTMENT AT THE MINISTERIAL LEVEL (FINANCE, FOREIGN AFFAIRS OR OTHER AS APPROPRIATE) TO FORMALLY EXPRESS USG CONCERN. FOLLOWING POINTS SHOULD BE MADE:

A. U.S. UNDERSTANDS THAT A RECENT GOT DECISION HAS CAUSED A GOVERNMENT ADMINISTERED AGENCY, TMO, TO DEFAULT ON A VALID CONTRACTUAL OBLIGATION.

B. WHILE GOT CONTENDS THAT THIS AGENCY IS A PRIVATE FIRM, IT IS IN FACT GENERALLY REGARDED IN INTERNATIONAL BUSINESS AND FINANCIAL CIRCLES AS AN AGENCY OF THE GOT, AND THUS ITS DEFAULT WILL REFLECT DIRECTLY ON THE GOT.

C. WE UNDERSTAND THIS RESULTS FROM A GENERAL GOT POLICY TO REFUSE TO ISSUE LETTERS OF CREDIT FOR IMPORTS CONTRACTED AT PRICES HIGHER THAN THOSE EXISTING AT TIME L/C'S ARE ISSUED, AND ARE CONCERNED THAT OTHER SIMILAR CASES MAY ALSO ARISE.

D. SUCH ACTIONS BY THE GOT WILL HAVE LONG TERM ADVERSE EFFECT ON THE CREDIT WORTHINESS AND LIMITED OFFICIAL USE
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COMMERCIAL RELIABILITY OF THE GOT AND ITS AGENCIES.

E. GENERAL APPLICATION OF THIS POLICY WILL FORCE SELLERS OF GOODS TO TURKEY TO REQUIRE VALID L/C TO ACCOMPANY CONTRACT, THUS ADDING TO COST OF FUTURE PURCHASES.

7. IN ADDITION, EMBASSY REQUESTED TO DETERMINE TO EXTENT POSSIBLE LIKELY EFFECT OF GOT ACTION ON ANY OTHER OUTSTANDING CONTRACTS INVOLVING OTHER U.S. OR THIRD COUNTRY FIRMS AND/OR OTHER COMMODITIES AND PRODUCTS. EMBASSY SHOULD CONTINUE AS APPROPRIATE TO DISCUSS POSSIBLE CONSEQUENCES GOT ACTION WITH OTHER EMBASSIES AND ENCOURAGE THEM TO ALSO RAISE ISSUE WITH GOT OFFICIALS.
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